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FISCAL IMPACT STATEMENT

LS 6241

BILL NUMBER: HB 1025

NOTE PREPARED: Feb 21, 2006

BILL AMENDED: Feb 20, 2006

SUBJECT: Food and Beverage & Innkeeper's Taxes.

FIRST AUTHOR: Rep. Smith J

FIRST SPONSOR: Sen. Drozda

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *Howard County Innkeeper's Tax*- The bill provides that the maximum rate of the Howard County Innkeeper's Tax is 5% until December 31, 2013, and decreases to 4% on January 1, 2014. (Under current law the transition date is June 30, 2007.)

Nashville Food and Beverage Tax- This bill extends the expiration date of the Nashville Food and Beverage Tax to July 1, 2012.

Tippecanoe County Innkeeper's Tax- The bill extends the period of time from December 2006 to December 2012 that a share of Tippecanoe County Innkeeper's Tax revenue must be distributed as a grant to a nonprofit corporation that leases land in Prophetstown State Park for the nonprofit corporation's use in noncapital projects in Prophetstown State Park.

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Howard County Innkeeper's Tax*- Revenue from the Howard County Innkeeper's Tax is currently used for convention and visitor promotions.

Tippecanoe County Innkeeper's Tax- See *Explanation of Local Revenues*.

Explanation of Local Revenues: (Revised) *Howard County Innkeeper's Tax*- The bill would allow the Howard County Innkeeper's Tax to be imposed at 5% until December 31, 2013. (Under current law, the tax would be reduced to 4% after June 30, 2007.) Howard County could average approximately \$100,000 more per year in revenue with an innkeeper's tax rate of 5% instead of 4%. The estimate assumes a growth rate in tax revenue of 2.7% per year.

Background Information: Howard County collected \$477,787 in innkeeper's tax revenue at a rate of 5% in FY 2005. The average annualized growth rate in the Howard County tax from FY 1998 to FY 2005 is 2.7%.

Nashville Food and Beverage Tax- The bill would allow a five-year extension, from the expiration date under current law (January 1, 2007) on the collection of Nashville's Food and Beverage Tax. For example, if the tax were imposed for an additional five years, with average annual revenues of \$125,000 per year, Nashville could receive an additional \$0.6 M over the proposed five-year extension.

Background Information: From FY 1996 to FY 2005, Nashville averaged \$125,000 annually from the tax. The average annual percent change over that time period was 2.3%. The tax was established by P.L. 111-1987. The tax revenue is used to construct and maintain public parking and restroom facilities.

(Revised) *Tippecanoe County Innkeeper's Tax*- Under current law, at least 40% of the Greater Lafayette Community Development Corporation's (CDC) share of innkeeper's tax revenue is distributed as a grant for a land lease by a non-profit corporation in Prophetstown State Park (PSP.)

The CDC land lease grant is set to expire after December 2006 under current law. The bill would extend this grant by six years to December 2012.

Background Information: Half of Tippecanoe County's innkeeper's tax revenue goes into a special account. Twenty-five percent of the revenue deposited in the special account goes to the CDC, which serves Lafayette and West Lafayette. At least 40% percent of the CDC amount is then used as described above.

Tippecanoe County's Innkeeper's tax generated approximately \$1.5 M in revenue for FY 2005. Half of the \$1.5 M would be about \$0.75 M. Twenty-five percent of the \$0.75 M would leave approximately \$187,500 for the CDC. Forty percent of the CDC amount would have been approximately **\$75,000** (\$187,500 X .40) in FY 2005.

State Agencies Affected:

Local Agencies Affected: Howard County; Tippecanoe County; City of Nashville.

Information Sources: Howard County Auditor's Office; *Indiana Handbook of Taxes, Revenues, and Appropriations*.

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